

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 11-095

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

**Step Increase for Changes in Net Plan in Service for the Period
April 1, 2010 to March 31, 2011**

Order *Nisi* Granting Step Increase

ORDER NO. 25,240

June 24, 2011

On April 29, 2011, Public Service Company of New Hampshire (PSNH or Company) filed a letter with the Commission requesting a step increase for changes in net distribution plant in service pursuant to a Settlement Agreement approved in Docket No. DE 09-035, PSNH's most recent distribution rate proceeding. *See* Order No. 25, 123 (June 28, 2010). With the letter, PSNH filed a technical statement and related attachments. The letter requested a distribution rate step increase of \$4.4 million related to additions to PSNH's net distribution plant in service as of March 31, 2011. The Company requested that the step increase be effective for service rendered on and after July 1, 2011. The petition and subsequent docket filings, other than information for which confidential treatment is requested of or granted by the Commission, is posted to the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2011/11-095.html>.

On May 11, 2011, the Office of Consumer Advocate (OCA) filed a letter indicating its participation in this docket pursuant to RSA 363:28.

According to PSNH, the approved Settlement Agreement established a series of permanent distribution rates step increases beginning on July 1, 2010, and terminating on June

30, 2015, and including annual step changes to those rates on July 1, 2011, 2012 and 2013. Specifically, for additions to net distribution plant, the Settlement Agreement provided for annual estimated step increases, limited to 80% of the change to net distribution plant in service, excluding those capital projects associated with PSNH's reliability enhancement program (REP). According to PSNH, the Settlement Agreement contained a projected step increase on July 1, 2011 of \$9.3 million associated with a budgeted level of non-REP net distribution plant of \$997 million as of March 31, 2011. This produced a budgeted change in net distribution plant of \$75 million from April 1, 2010 to March 31, 2011. PSNH said that actual level of non-REP net distribution plant as of March 31, 2011 was \$957 million. This produced a change in actual net distribution plant of \$35 million. The revenue requirements associated with this actual change in net distribution plant for the reconciliation period is \$4.4 million as compared to the estimated \$9.3 million contemplated in the Settlement Agreement.

PSNH said that, pursuant to the Settlement Agreement, the projected step increase for 2011 is subject to downward adjustment if (1) the actual change to net distribution plant is less than \$75 million; and (2) the actual net distribution plant balance is less than \$997 million. If both of those conditions exist, then the actual step increase is adjusted downward by the revenue requirement associated with the difference between the forecasted actual net distribution balance as of March 31, 2011. Based on the actual change to net distribution plant and the actual net distribution plant balance that existed as of March 31, 2011, PSNH proposed a \$4.4 million increase to distribution revenue requirements in accordance with the Settlement Agreement. The Company said that its calculation of the \$4.4 million reflects the revenue requirements associated

with 80% of the non-REP increases to actual net distribution plant over the period April 1, 2010 to March 31, 2011.

PSNH said that there were two major reasons why the proposed actual increase is less than the estimated increase in the Settlement Agreement. First, the projected step increase of \$9.3 million was based on simple averages of budget information associated with the last three quarters of 2010 and the first quarter of 2011. The actual value used to calculate the appropriate step increase was different than the budget based on the timing of when plant additions were actually placed in service and reflected in the books of the Company. Second, PSNH made decisions throughout 2010 to decrease capital spending levels as part of its routine review of capital spending. The Company said that one significant driver contributing to the decreased spending levels was lower actual peak loads than originally forecasted.

Staff filed its recommendation on June 24, 2011. In its recommendation, Staff said that Section 5 of the Settlement Agreement describes in great detail the process associated with certain agreed-upon step increases and related reporting requirements. Staff recited the pertinent paragraphs of Section 5.5 of the Settlement Agreement, including Section 5.5.2 which sets forth the process for PSNH to use if the actual change to net plan was less than the amounts estimated in the Settlement Agreement. Section 5.5.2 reads as follows.

“5.5.2 If the actual Net Distribution Utility Plant balance as of March 31 is less than the amount shown above, the step increase will be adjusted downward and shall take effect as planned, subject to review of the Staff and the OCA and approval by the Commission. The amount of downward adjustment to the step increase will be determined by calculating the revenue requirement associated with the difference between the forecasted and actual Net Distribution Utility Plant balance as of March 31. That revenue requirement will be determined using the cost of capital and capital structure contained in Section 3, and the same methodology used to calculate the step increases shown in Attachment 1.

Staff noted that PSNH's April 29, 2011 submittal used the actual balance of \$957 million in non-REP net distribution plant and the actual change of \$35 million in net distribution plant additions as of March 31, 2011, with the resulting revenue requirement calculated to be \$4.4 million. Staff said it conducted discovery on PSNH's filing, and that Staff and the OCA reviewed the information and held discussions with PSNH. Staff stated that the review included gathering information regarding the installed distribution plant additions as well as those that were not undertaken due to lower peak loads.

Having reviewed the filing and the supporting calculations and additional information provided in response to discovery, Staff reported that PSNH followed the procedures set forth in the Settlement Agreement for the July 1, 2011 step increase. In addition, the proposed increase of \$4.4 million was calculated in accordance with Section 5.5.2 regarding the downward adjustment to the originally-estimated increase in net distribution plant.

Staff concluded by recommending that the Commission approve the \$4.4 million step increase to distribution rates for service rendered effective July 1, 2011. Staff further stated that the OCA had reviewed Staff's recommendation and that the OCA does not oppose the recommendation.

We have reviewed the filing and Staff's recommendation. We note that Staff and the OCA do not disagree with PSNH's calculation of net distribution plant in service (\$957 million), the value of the change to net distribution plant in service as of March 31, 2011 as compared with April 1, 2010 (\$35 million), or the calculation of the revenue requirements associated with the change (\$4.4 million). We also find that PSNH followed the process adopted in the

Settlement Agreement in calculating the step increase. Therefore, we find PSNH's request for a step increase of \$4.4 million to its distribution rates effective for services rendered on and after July 1, 2011 to be just and reasonable and in the public interest and we approve it on a *nisi* basis.

Based upon the foregoing, it is hereby

ORDERED *NISI*, that subject to the effective date below,

FURTHER ORDERED, that Public Service Company of New Hampshire's petition requesting to adjust its distribution rates to reflect an increase of \$4.4 million to recover the revenue requirements associated with qualifying investments in distribution plant is consistent with the terms of the Settlement Agreement in Docket DE 09-035 and is APPROVED; and it is

FURTHER ORDERED, that the Petitioner shall cause a copy of this Order *Nisi* to be published once in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, such publication to be no later than June 29, 2011 and to be documented by affidavit filed with this office on or before July 1, 2011; and it is

FURTHER ORDERED, that all persons interested in responding to this Order *Nisi* be notified that they may submit their comments or file a written request for a hearing which states the reason and basis for a hearing no later than June 30, 2011 for the Commission's consideration; and it is

FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than June 30, 2011; and it is

FURTHER ORDERED, that this Order *Nisi* shall be effective July 1, 2011, unless the Petitioner fails to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date; and it is

FURTHER ORDERED, that the Petitioner shall file a compliance tariff with the Commission on or before July 15, 2011, in accordance with N.H. Code Admin. Rules Puc 1603.02(b).

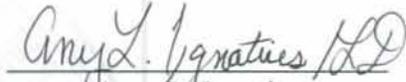
By order of the Public Utilities Commission of New Hampshire this twenty-fourth day of June, 2011.



Thomas B. Getz
Chairman

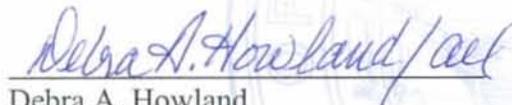


Clifton C. Below
Commissioner



Amy L. Ignatius
Commissioner

Attested by:



Debra A. Howland
Executive Director

